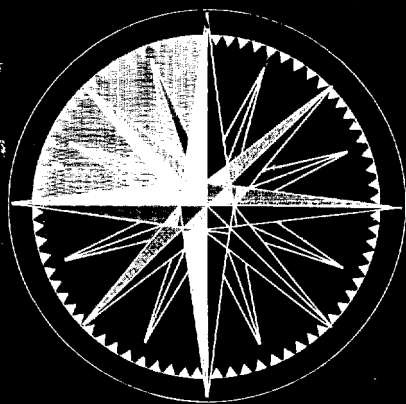


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Release 2005/01/05 : CIA-RDP79-00927A005000110002-5

22 October 1965

OCI No. 0312/65A

Copy No. 58

SPECIAL REPORT

THE ITALIAN POLITICAL SITUATION

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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THE ITALIAN POLITICAL SITUATION

Italy's four-party governing coalition is showing signs of greater cohesion although its future continues to depend on its ability to achieve some of the major provisions of its legislative program. This fall's heightened political activity will offer an opportunity to make some progress toward longer term viability. At present, the leaders of the principal partners--the Christian Democrats (CD) and the Socialists (PSI)--appear willing to seek the compromises necessary to preserve the delicate balance within the coalition. However, there are still significant minorities in both parties which oppose CD-PSI collaboration, at least in its current form, and this issue along with a number of other potentially divisive intraparty questions will be debated at several major party congresses and assemblies in coming months.

The Factors of Cohesion

Although emotion-packed issues, such as corruption charges and foreign policy differences, can trigger critical situations at any time, several factors have improved the Moro government's chances of surviving the political test posed by the party meetings this fall. Chief among these is Socialist Vice Premier Nenni's continued commitment to keep the PSI in the government and his stronger position with respect to dissident elements within his party.

Nenni's prime objective remains the achievement of progress on reforms. He has repeatedly emphasized to the PSI rank and file that the party has not lost sight of its long-standing reform goals, and he is convinced that a return to opposition would not serve to achieve them any more quickly. He is equally aware, moreover, that his position as party leader would be in jeopardy if the So-

cialists were to withdraw from the government coalition.

Premier Moro reportedly has gained in confidence, if not dynamism, in recent months. Although several Christian Democrats have designs on the premiership, no rival, including Foreign Minister (and ex-premier) Fanfani, is at present actively trying to supplant Moro. Fanfani's election to the UN General Assembly presidency will reduce his maneuverability on the domestic political scene but should increase his long-run chances of becoming prime minister when the opportunity arises.

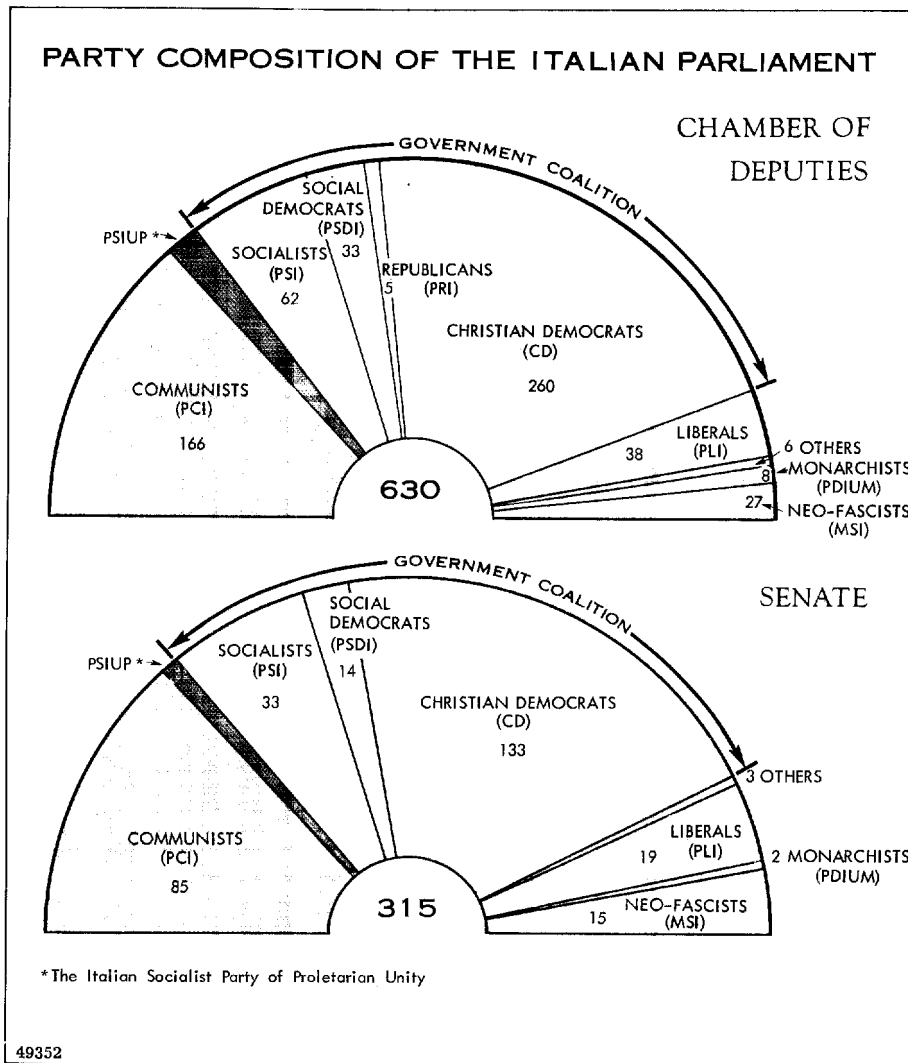
Sometime after the 10-14 November Socialist congress there will probably be a limited cabinet reshuffle aimed at alleviating interparty pressures and rivalries.

Basic Problems Remain

The viability of PSI-CD collaboration still depends on the continued health of the Italian

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economy and the willingness and ability of the government leaders to implement the basic elements in their program.

A gradual recovery from the 1964 recession now appears under way, and there seems little doubt that GNP growth for 1965 will reach at least 3 percent. Marked improvements in the steel, automobile, and petroleum industries have brought industrial production to the highest levels in Italian history. In May--the latest month for which full data are available--the production index (calculated from a base of 100 for 1953) stood at 254.8, compared with 239.1 in May 1964. Recovery has been supported by a steady rise of exports, and official reserves (\$4.6 billion in August) have continued to increase. Furthermore, unemployment is still only slightly over 3 percent of the labor force.

Weak spots still exist, however, particularly in investment and domestic demand. Budget Minister Pieraccini doubts that the 5-percent average annual growth rate envisaged in the government's five-year economic plan (1966-70) will be attained in 1966. He has also indicated that increases in the government's current operating expenditures are likely to compromise the achievement of economic planning targets.

At present, the main economic problem is maintaining monetary stability during the period of recovery by restraining excessive increases in wages and prices. In this, the coalition appears to be having some success. Retail prices, for example, have risen at a rate

of 4 percent this year, compared with 6.1 percent in 1964 and 8.8 percent in 1963. The coalition faces a difficult test this fall, however, as major wage contracts involving some three million workers in the construction, textile, and metal-mechanical industries are due for renegotiation.

Along with economic recovery, action on the Moro government's legislative program remains the prerequisite to long-run government viability. The government's record thus far has been spotty although it has made some progress. Despite having to devote most of its energies to coping with an economic and financial crisis in 1964, the Moro government has enacted a variety of measures relating to agriculture, education, labor, social welfare, state corporations, and depressed areas. Other crucial bills are before Parliament.

There has been little progress, however, on such key measures as urban reform and public administrative reorganization--two of the most controversial issues in the government's program. Further compromise will be needed and reform enactment is likely to proceed slowly at best.

The Socialist Congress

The Socialist (PSI), Social Democratic (PSDI), Liberal (PLI), Monarchist (PDIUM), and Communist (PCI) parties all plan congresses by early January. All except that of the PDIUM are important for future political developments, but the PSI congress from 10 to 14 November is likely to have the most impact on the coalition's prospects.

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The PSI will be debating the party's continued collaboration with the Christian Democrats and the reunification of the PSI and PSDI, which split in 1947. The tactical positions of the majority and minority elements within the PSI leadership have been sharply drawn. Majority leader Nenni has called on the party's grass roots to support the current government formula and to work for eventual Socialist reunification. Followers of minority leader Riccardo Lombardi and the PSI left wing oppose Nenni on both counts.

Lombardi wants to abandon collaboration with the CD and return to "traditional Socialist autonomy." He maintains that the "center-left" has become indistinguishable from previous center governments and that the PSI's continuation in it serves only to solidify the present system and perpetuate Christian Democratic rule. He opposes PSI-PSDI reunification because he believes it would smother the PSI's program of its own "specifically socialist reforms." Consequently, he believes the only remaining hope for an alternative to CD rule lies in the eventual unity of all the workers' and left-wing movements in the country. Lombardi argues that this hope would be frustrated by PSI continuation in the government, by PSI-PSDI reunification, and by persistent attempts to isolate the PCI--"in which a process of transformation toward a democratic development has already begun."

Nenni not only differs with Lombardi on the means of achieving reforms but also in his conception of the direction in which Italian socialism should evolve. In a recent political-ideological letter addressed to the party's rank and file, Nenni prescribed a substantial revision of traditional Socialist doctrine on the concept of state, class, and revolution. He asserted that the only realistic choice for the PSI in the context of current Italian politics is to assume its share in the direction of the state while seeking to modernize it within the existing system and institutions.

At present, the indications are that Nenni's position will triumph and that the Lombardi forces will not poll more than 20-25 percent of the vote at the congress. About a quarter of the PSI's membership has already elected delegates to congresses of the local PSI federations--who in turn will elect the delegates to the national congress. In these local elections, the Nenni majority faction has won about 86 percent of the vote.

While the left-wing PSI faction is apparently effectively isolated, a struggle within the majority faction at the congress may develop between the Nenni forces and party secretary De Martino's small but not unimportant following. In the past, De Martino has been more willing than Nenni to compromise with some of Lombardi's views in the interest

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of PSI unity. He has also favored the party's adopting positions somewhat more to the left of the existing center-left program and he does not want to push the issue of Socialist reunification rapidly. Nenni has recently expressed anxiety over possible moves by De Martino at the congress and the outcome of their struggle is likely to be one determining factor in the prospects and timing of Socialist reunification. At present, however, the indications are that Nenni's group will probably get more than an absolute majority in the new PSI central committee to be elected at the congress.

The Prospects for Socialist Reunification

Progress on Socialist reunification will depend largely on results of the PSI and PSDI congresses. No quick merger is likely, but the issue is crucial for future political developments. The formation of a reunified Socialist party could, in the first instance, provide the Socialist forces in the government with considerable leverage to push further implementation of its program. Over the longer run, a reunified party might--at least in theory--challenge Christian Democratic dominance by providing a democratic alternative for voters who now feel that the larger and stronger Communist party can better protect or help them. Recognizing the prospect of further isolation, the forthcoming Communist

congress will debate the approach it must take to implement its own call for a "unified Workers Party of the Left."

PSDI secretary Tanassi has already declared that he and other PSDI leaders would be pleased to accept Nenni as the leader of a unified party, and he wants Nenni to move as swiftly as possible to work toward reunification. The election to the Italian presidency of former PSDI leader Giuseppe Saragat (who has campaigned for PSI-PSDI reunification) has removed a potential rival of Nenni for leadership of a reunified socialist party. The PSDI is demanding, however, that the PSI must first end all collaboration with the Communists on the local administrative level and modify its statute requiring all PSI members to belong to the Communist-Socialist "Italian Confederation of Labor" (CGIL).

The PSI is unable to meet the first of these demands at this stage, but a special party committee recently issued an amendment modifying the party statute requiring all members to join "labor or professional organizations" and other "mass associations" designated by the party. This amendment, however, must still be approved at the party congress level. The committee also called for the creation by the PSI of its own small farmers' organization, thus implying that the Socialists intend in time to divorce themselves from the Communist-controlled "National League of Cooperatives."

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Partly because meeting the PSDI's demands will be a difficult and lengthy process for the Socialists, the PSI congress is likely to approve Socialist reunification in principle without setting a deadline. Nenni will probably propose that the congress authorize certain preliminary measures.

He argues, however, that Socialist reunification cannot be achieved through a simple accord between the leaderships but that it must be reached through "an agreed common program and common struggles." He would also open the reunified party to other left-wing forces, but not to the Communists, whose appeal for a "Unified Workers' Party of the Left" he flatly rejects.

If Nenni receives his hoped-for increased majority at the congress, some progress toward reunification will probably be made by the 1968 national elections. There even appears a chance for some tentative collaboration in the 1967 regional elections.

The CD Assembly

Premier Moro's Christian Democrats have scheduled a

"National Assembly on Organization" for 30 October - 3 November which could have an important long-term bearing on their performance in the coalition. The meeting appears designed to examine serious organizational weaknesses and to consider the effects of recent scandals in high government circles. Party chiefs are already evidencing some concern over their prospects in the 1968 elections, and they apparently will seek some consensus among CD factions on the pace of the government's program. Vice Secretary Piccoli recently indicated that solid legislative progress might be forthcoming next spring, provided the Socialist congress supports Nenni by a large majority.

There have been some signs of dissatisfaction with the CD party's leadership on both the left and right wings, which is probably coming to the surface partly because of the proximity of the assembly. Party secretary Mariano Rumor and Premier Moro, however, intend to keep their party behind the coalition in its present form, and it is likely that he will be able to do so without difficulty.

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